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Nos. 28, 70 and 71

In the Supreme Court of the United States

OCTOBER TERM, 1946

ALPINE MACGREGOR, PETITIONER

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

EDWARD KATZINGER COMPANY, PETITIONER

v.

CHICAGO METALLIC MFG. COMPANY

ON WRITS OF CERTIORARI TO THE SUPREME COURT OF PENNSYLVANIA AND TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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PRELIMINARY STATEMENT

The patent owner in the *MacGregor* case (No. 28) brought suit in a state court to recover royalties alleged to be due under a patent licensing agreement which contained price-fixing pro-

visions. The trial court held that the licensee was estopped to challenge the validity of the licensed patent and the Supreme Court of Pennsylvania affirmed this ruling. The court held that since the suit did not involve enforcement of the price-fixing provisions, the patentee could invoke the doctrine of estoppel notwithstanding these provisions.

In the *Katzinger* case (Nos. 71, 72) a patent licensee brought suit in a federal district court for a declaratory decree adjudging invalid certain patents licensed to it under an agreement containing price-fixing provisions. The district court ruled that the licensee was estopped to question the validity of its licensor's patents but the Circuit Court of Appeals reached the opposite conclusion and remanded the case for determination of the question of patent validity. The only patent upon which the licensor was relying having been found to be invalid, judgment was entered against it and the Circuit Court of Appeals affirmed the district court's judgment.

In each of the foregoing cases this Court has granted certiorari to review the holding as to estoppel. Each case presents the question whether, in the case of a licensing agreement with price-fixing provisions, the licensee is estopped to deny the validity of the licensed patents if the suit does not involve enforcement of the price-fixing provisions of the license. However, the

Court will reach this question only if it holds or assumes for purposes of decision that a licensee under an agreement without price-fixing provisions is estopped to challenge patent validity.

In two recent cases this Court has expressly reserved the question whether a licensee is so estopped and the question whether, if so, the estoppel is a rule of federal or local law. *Altvater* v. *Freeman*, 319 U. S. 359, 364; *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, 175. It seems to be plainly in the public interest that these questions be authoritatively determined and the major purpose of the present brief is to set forth the Government's views on the broad question of estoppel of a patent licensee and the related question whether this is a matter of state or federal law. The brief also discusses the question whether one who has granted a patent license providing for fixing prices may invoke the doctrine of estoppel against the licensee provided that it appears that the suit does not involve enforcement of the price-fixing provisions of the license agreement.

I

A LICENSEE IS NOT ESTOPPED TO CHALLENGE THE VALIDITY OF THE LICENSED PATENT

Before discussing the question whether the patent law and the federal antitrust laws require rejection of the doctrine that a licensee is es-

topped to assert patent invalidity, it is appropriate to inquire whether, apart from this consideration, the relationship of licensor and licensee is such as to bring the licensee within the principles under which a rule of estoppel is applied. If the relationship of the private parties furnishes little, if any, basis for applying a rule of estoppel, then if the Court finds that the doctrine of estoppel of the licensee is inconsistent with the purposes and provisions of the federal patent and antitrust laws, the implied condemnation of the estoppel rule must be given full weight and scope.

A. Under the general principles governing the doctrine of estoppel there is little, if any, basis for applying a rule of estoppel to a patent licensee

Although it has been usually held or assumed that the assignor, the assignee, and the licensee of a patent are respectively estopped to assert invalidity as against his assignee, assignor, and licensor, there has been little discussion of the grounds for applying such rule of estoppel. Likewise, the question whether the grounds for applying a rule of estoppel are the same in each of these instances does not seem to have received critical analysis.

At the outset it may be noted that the cases now before this Court, and our discussion of estoppel in relation to patent assignments or licenses, do not involve the doctrine of equitable estoppel. In order to invoke this doctrine "it is

necessary to establish, not only the fact of misrepresentation or concealment, but also that it has been in a matter of substance or of importance to the interests of the other party, and that it has actually misled him." Bigelow, *Estoppel* (6th ed.) p. 604.[1] The doctrine always presupposes, this Court has said, "error on one side and fault or fraud upon the other" (*Morgan* v. *Railroad,* 96 U. S. 716, 720). The doctrine "involves fraud and falsehood, and the law abhors both". *Dickerson* v. *Colgrove,* 100 U. S. 578, 580. The question to which we give consideration is the appropriateness of a rule of estoppel where there is no fraud or falsehood on the one hand and reliance on injury on the other, such as would give rise to equitable estoppel.

The doctrine that the assignor of a patent is estopped to challenge its validity as against his assignee was given implied approval but was not directly ruled upon in *Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342.[2] The Court in that case called attention to the provisions of the patent law which require assignments of patents to be in writing and which make an assignment which has not been recorded in the Patent Office void as against a subsequent bona fide purchaser for value.

[1] Accord, 3 Pomeroy's *Equity Jurisprudence* (5th ed.) Sec. 805.

[2] Query as to whether the approval of this doctrine in the *Formica* case is, since the decision in *Scott Paper Co.* v. *Marcalus Mfg. Co., Inc.*, 326 U. S. 249, entitled to further weight.

Since Congress had manifestly intended "to surround the conveyance of patent property with safeguards resembling those usually attaching to that of land", there was thought to be reason for viewing an assignment of a patent as within the principles of "estoppel by deed" (266 U. S. 342, 348–349). The Court likewise declared (p. 350) that there is clear analogy between estoppel in conveyances of land and estoppel in assignments of a patent and that "fair dealing should prevent him [the assignor] from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantee."

For present purposes it is unnecessary to consider to what extent the views expressed in the *Formica* case apply to estoppel of the assignee of a patent. We merely point out in this connection that while this Court in *Kinsman* v. *Parkhurst*, 18 How. 289, 293, expressed the opinion that the assignee was estopped to allege patent invalidity, the basis of decision appears to be that such invalidity was not material to the issues in the case.[3]

As to licensees, with whom we are presently concerned, the principles of estoppel by deed

[3] The assignor and assignee of a patent had entered into a partnership agreement providing for division of the profits resulting from making and selling a patented machine. The Court held (p. 293) that since the alleged invalidity of the patent had not affected the profits of this business, invalidity was not material to the question of the assignee's liability to account for the profits which he had received.

clearly do not apply; patent licenses are not required to be in writing and the law makes no provision for recording them. The estoppel, if there is one, is estoppel by contract. A leading authority states this doctrine: "A fact agreed or assumed to be true, as the basis of a contract, must be taken to be true specifically, until the contract itself is lawfully impeached by plaintiff or by defendant" (Bigelow, *Estoppel* (6th ed.) p. 495). In justification for imposition of a rule of estoppel against a patent licensee, it has been said that he "got what he bargained for" (*Marston* v. *Swett,* 82 N. Y. 526, 533) and that therefore he cannot challenge the patent's validity "any more than a tenant can deny that he occupied under the lease which he took from his landlord" (*March* v. *Dodge*, 4 Hun. (N. Y.) 278, 282).

We submit that estoppel of a patent licensee is not analogous to the rule that a tenant is estopped to deny his landlord's title. Possession of the premises lies at the foundation of estoppel of a tenant (Bigelow, *Estoppel* (6th ed.) p. 550). The tenant in possession enjoys something of definite, tangible value and this is precisely what he bargained to obtain. But a nonexclusive licensee under an invalid patent has received, in return for his agreement to pay royalties, nothing more than the licensor's agreement not to prosecute an infringement suit which the licensor could not, in fact, have successfully maintained. The "benefit"

received by the licensee, and the basis upon which any rule of estoppel must rest, is the agreement not to subject him to unfounded litigation.

There is judicial support for the view that a licensee is not estopped to deny the validity of the licensed patent. In *Saxton* v. *Dodge*, 57 Barb. (N. Y.) 84, where suit was brought upon a note given for royalties payable under a patent licensing agreement, the licensee was held to be not estopped to set up the invalidity of the patent as a defense.[4] On the question of estoppel the court said (p. 113):

> They merely obtained a license to do what they had the same right to do without any license. The license conferred no right, for the licensors had none to confer. I do not see, therefore, why the defendants may not set up this want of consideration in this case as well as in any other arising upon contract. It is not like the case of a landlord and tenant, where the latter gets possession of premises, and has the benefit of the use and occupation, and the rents and profits. Here the defendants received nothing visible or tangible. They obtained only a pretended exclusive privilege, which the licensors did not own or possess, and could bestow upon no one. Under such circumstances, I can see no justice in precluding the defendants from asserting the truth.

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[4] Cf., *Pratt & Co.* v. *Paris Light & Coke Co.*, 155 Ill. 531, 536, affirmed, 168 U. S. 255.

The doctrine of estoppel does not rest upon statute but is a rule fashioned by the courts in attempted adjustment of equities deemed to grow out of certain relationships. A court should, therefore, be on sure ground as to the equities before giving the doctrine sanction. As to the basis upon which the parties made their agreement, it cannot be said that the licensee does more than acquiesce in a premise (the patent's validity) upon which the licensor insists. The cost of defending infringement suits is notoriously high and many licenses are undoubtedly taken under patents believed by the licensee to be invalid simply because the licensee could not afford the cost of lengthy patent litigation.[5] It would be anomolous to hold that the mere making of the license agreement, which an assertion of unfounded rights had coerced, operates to estop the licensee, throughout the life of the license, to ask any court to pass judgment upon the merits of the licensor's claim.

If it be urged that the outcome of patent litigation is uncertain and that the licensor, on the faith of the license, has forgone institution of infringement proceedings, the answer is that the forbearance from suit continues only for such

[5] In both the present cases the licenses were negotiated only following the institution of an infringement suit or threat thereof (No. 28, R. 3-4; No. 70, R. 52). MacGregor testified that "one of the big reasons why I took the license was that I was not financially in position to face the suit" (No. 28, R. 112).

time as royalties are paid. Full compensation for forbearance has therefore been received by the licensor. When the licensee refuses further payments upon the ground of patent validity, the licensor may either take this as a repudiation of the license and subject the licensee to the liabilities of an infringer or hold him to the terms of the license (provided, in either case, that the courts uphold the validity of the patent).* The licensee who has thus refused further payments is no longer entitled to claim any benefit given by the license. It therefore cannot be said that, while enjoying the benefits of the license, he is proposing that he be held to its burdens only after an adjudication of validity.

United States v. *Harvey Steel Co.*, 196 U. S. 310, has sometimes been considered as holding that a licensee is estopped to assert the invalidity of the licensed patent. This was a suit against the United States to recover royalties due under an agreement licensing it to use a patented process in making armor plate. The Court held that the invalidity of the patent could not be set up as a defense. The Government's principal contention was that the agreement expressly permitted it to terminate its liability for royalties by showing the invalidity of the patent, but this

* In each of the present cases the license agreement expressly gives the licensor the right to terminate the license upon default by the licensee in royalty payments (No. 28, R. 125–126; No. 70, R. 16).

Court held that the agreement did not so provide. The Government's further contention that, if the patent was invalid, there was an entire failure of consideration, was answered by the Court by saying (pp. 315–316) that the licensor was obligated, and had fulfilled the obligation, to reveal secret information as to its process and improvements therein developed by it. It is therefore questionable whether this Court rested its decision, even in part, on any rule of estoppel. In any event, if the Court did apply such a rule, it did so without discussion of the point or citation of authority. See *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, 175.

B. Estoppel of the licensee is inconsistent with the purposes and provisions of the patent and antitrust laws of the United States

Whatever may be the equities between the parties, such considerations do not have a decisive role in the settlement of the current question. For "it is the public interest which is dominant in the patent system" (*Mercoid Corporation* v. *Mid-Continent Investment Co.*, 320 U. S. 661, 665), and the public interest clearly requires that the validity of a patent be open for test in the courts when properly challenged by a party with undoubted legal standing. Two decisions are of particular significance in this connection.

Pope Mfg. Co. v. *Gormully,* 144 U. S. 224, was a suit by a patentee to obtain specific performance of a patent licensing agreement in which the licensee agreed that it would not, during the life of the licensed patents, dispute the validity of or the licensor's title to certain other patents and that, if the licensee used any such patents following termination of the license, the licensor might treat him as an infringer and obtain an injunction against him without notice. This Court held that the agreement was so oppressive that a court of equity would not decree its enforcement. The Court also strongly intimated that the contract was void as contravening public policy. The Court (p. 235) quoted with approval the statement in *Crane* v. *French,* 38 Miss. 503, that the right to make a defense may be one which "is not only a private right to the individual, but is founded on public policy which is promoted by his making the defence, and contravened by his refusal to make it." With reference to the matter before it, the Court said (p. 234):

> It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly; * * *.

Scott Paper Co. v. *Marcalus Mfg. Co., Inc.,* 326 U. S. 249, was a suit for infringement brought by the assignee of a patent against his assignor.

The machine alleged to infringe was a copy of an expired, prior art patent. This Court held that, irrespective of whether an assignor is ordinarily estopped to challenge the validity of his patent as against his assignee, the patent laws precluded invocation of the doctrine of estoppel in the situation presented in that case. The basis for the holding was that any form of private arrangement which would invest the invention of an expired patent with any of the monopoly attributes of a patent runs counter to the policy and purpose of the patent laws—that the invention disclosed by a patent shall, after its expiration, be in the public domain.

Just as the patent law limits the life of a patent to 17 years, the crucial statutory provision in the *Marcalus* case, so the law confines the issuance of patents to inventions not previously known or used by others. R. S. Sec. 4886 (35 U. S. C. 31). To invest with patent privileges, by virtue of an estoppel doctrine foreclosing inquiry into the true facts, a device or process known to the prior art and therefore not a patentable invention, would seem equally to run counter to the policy and purpose of the patent laws. To require one claiming a patent right to defend the validity of his claim is hardly more than a necessary corollary of the universally recognized principle that the holder of an exclusive privilege granted by the public must be strictly confined to his grant.

Monopolies are generally repugnant to public policy. The patent system, in so far as it legitimizes monopoly as an incentive to invention, must be considered a departure, however appropriate, from the normal requirements of competition as expressed by Congress in the federal antitrust laws. The policy thus declared in favor of free competition and the striking down of monopoly will be contravened if, on the basis of estoppel by contract, the validity of monopoly privileges asserted under a document which would never have been issued if all the pertinent facts had been known may escape judicial scrutiny.

"An invalid patent masquerading as a valid one is a public menace, and should be fair game" (Frank, J., concurring in *Aero Spark Plug Co.* v. *B. G. Corporation,* 130 F. 2d 290, 294 (C. C. A. 2)); "it discourages enterprise and encourages litigation" (*Gebhard* v. *General Motors Sales Corp.,* 135 F. 2d 248 (App. D. C.)). Yet the doctrine of estoppel as here urged may prevent a challenge to a patent's validity by those members of the public who are best prepared to make the challenge. Situations are not infrequent in which the owners of dubious patents have bought the silence of persons in a position to expose invalidity by granting licenses to them on favorable terms.[7]

[7] A recognition that the licensee may alone be in a position to challenge the patent's validity has been used in curi-

This Court has frequently given practical application to its recognition of the public interest involved in invalidating worthless patents. It has stated that it is the duty of courts to invalidate a patent, bad on its face, even though the invalidity is not asserted by the litigants. *Brown* v. *Piper*, 91 U. S. 37, 44. It has pointed out for the guidance of lower courts that, though an infringement suit may be disposed of on the ground of non-infringement, the question of the patent's validity has the greater public importance and to inquire fully into this question will usually be the better practice. *Sinclair Co.* v. *Interchemical Corp.*, 325 U. S. 327, 330. It has stressed the "protection of the public from the threat of an invalid patent" as the purpose of the rule that a patent is invalid in its entirety if any part of it be invalid. *Marconi Wireless Co.* v. *United States*, 320 U. S. 1, 58.[8]

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ous fashion to support the application of an estoppel in certain older cases. It has been suggested that an underlying reason for the estoppel doctrine is that the licensee may have had the benefit of the patent, even though invalid, to keep off competition. And the invalid patent may be fully as advantageous to the parties as a valid one since it might not otherwise be challenged. See *White* v. *Lee*, 14 Fed. 789, 791 (C. C. D. Mass.) and cases cited.

[8] Lower courts have similarly recognized the desirability of invalidating worthless patents. The public interest has been held to require adjudication of the validity of a patent even though the private litigant was deemed estopped to deny valiidty. *Standard Water Systems Co.* v. *Griscom-Russell Co.*, 278 Fed. 703, 705 (C. C. A. 3), certiorari denied,

In *Mercoid Corporation* v. *Mid-Continent Investment Co.*, 320 U. S. 661, 665, this Court sustained as a defense to a suit for contributory infringement the plea that complainant had sought to extend its patent monopoly unduly, and refused to permit that defense to be foreclosed on the basis that the defendant might have but did not raise the issue in prior litigation involving the same parties and subject matter.

It thus appears that there are compelling considerations flowing from the patent and antitrust laws for the conclusion that one who seeks to challenge a monopoly as invalid should be permitted to make that challenge and, as previously shown (*supra*, pp. 6–10), there are no considerations arising from the simple licensor-licensee relationship which justify the contrary rule.

If, as we have urged, estoppel of the licensee is inconsistent with the purposes and policy of the federal patent and antitrust laws, we submit that it is immaterial whether the estoppel is, as in the *MacGregor* case, one implied by the courts from the contract of the parties or is, as in the *Katzinger* case (No. 70, R. 16–17), an express

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259 U. S. 580. In an infringement suit involving only one claim of a patent, it has been held proper to declare the patent as a whole invalid so that it will not "remain in the art as a scarecrow" even though the single claim involved was invalid for reasons independent of the general invalidity of the patent. *Bresnick* v. *United States Vitamin Corp.*, 139 F. 2d 239, 242 (C. C. A. 2).

provision of the license contract. The matter would seem to be disposed of by what this Court said in the *Marcalus* case (p. 257):

> It follows that the patent laws * * * preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. *For no more than private contract* can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of a public interest. [Italics supplied.]

In *American Cutting Alloys, Inc.* v. *General Electric Co.*, 135 F. 2d 502 (C. C. A. 2), the question was presented whether a licensee under a patent licensing agreement with price-fixing provisions could be estopped to challenge the validity of the licensed patent where the asserted estoppel was based upon an express covenant of the license, instead of being based, as in *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, on an implied obligation by the licensee not to contest validity. The court, in holding that the licensee was not estopped, said as to the claimed distinction between the cases (p. 505): "But if this difference has any significance, it should militate against rather than in favor of estoppel."*

* The court made the same holding in *American Optical Co.* v. *New Jersey Optical Co.*, 50 F. Supp. 806, 808 (D. Mass.).

Where, as in the *Katzinger* case, the licensee expressly undertakes not to challenge the validity of the licensed patent even after the license has been terminated, there is a strong suggestion of overreaching, coercion in the exaction of the undertaking, and endeavor to shore up, by private agreement, the validity of a dubious patent. See *Pope Mfg. Co. v. Gormully*, 144 U. S. 224.

II

WHETHER A LICENSEE IS ESTOPPED TO CHALLENGE A PATENT'S VALIDITY IS A QUESTION OF FEDERAL LAW

What has been said in discussing the preceding point serves to answer the question whether estoppel of a patent licensee is governed by federal or state law. If estoppel of the licensee must be condemned because inconsistent with limitations on patent privileges imposed by the federal patent and antitrust laws, this condemnation is clearly a matter of federal law. The question appears to be settled by *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173. It was there held (1) that the federal antitrust laws do not permit estoppel to challenge patent validity where the estoppel is based upon a licensing agreement providing for price fixing and (2) that this is a question of federal law. This Court said (p. 175) that the question whether the doctrine of estoppel as invoked conflicted with prohibitions of the

Sherman Act was one which this Court may resolve "even though its conclusion be contrary to that of a state court".

The *Sola* case involved the effect of a specific statutory prohibition, i. e., of contracts or combinations in restraint of interstate commerce, whereas here we are concerned, as in the *Marcalus* case, with a limitation which flows from a consideration of both the specific provisions of, and the general outline and direction of, federal patent and antitrust legislation. But since the question in either situation is the effect of federal legislation, it is one of federal law. Moreover, the Court in the *Sola* case said (p. 176) that federal not local law is controlling in an area of judicial decision "within which the policy of the law is so dominated by the sweep of federal statutes that legal relations which they affect must be deemed governed by federal law having its source in those statutes, rather than by local law."

The question of the respective spheres of federal and state courts in resolving questions growing out of contracts which have patents as their subject matter has been much litigated and is not without difficulty. See *Luckett* v. *Delpark, Inc.*, 270 U. S. 496. But the question whether a licensee is estopped to challenge the patent is not one of contract construction. The question is whether the broad sweep of the patent and antitrust laws do not require that the licensee be permitted to

challenge the patent monopoly, and therefore preclude estoppel of the licensee. The scope of the patent monopoly and the privileges secured to the patentee present obvious federal questions. It is merely to reverse the angle of approach to note that the bars which may be erected against inquiry into the validity of a patentee's monopoly claim is likewise a federal question.

III

NO ESTOPPEL MAY BE BASED UPON A LICENSE AGREEMENT CONTAINING PRICE-FIXING PROVISIONS IRRESPECTIVE OF WHETHER ENFORCEMENT OF THESE PROVISIONS IS SOUGHT IN THE PROCEEDING IN WHICH ESTOPPEL OF THE LICENSEE IS ASSERTED

In *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, the licensor sought recovery of royalties payable under his license and also enforcement of the price-fixing provisions of the license. The Court held that the licensee was not estopped to plead the invalidity of the patent as a defense. The ground of decision was that the contract was unlawful under the Sherman Act if the patent was invalid and that it was contrary to the policy of the Act for the parties to agree that, if court enforcement of the contract was sought, the unlawfulness of this contract could not be brought in issue.

The licensors in the present case contend that this decision does not apply if the licensor seeks

recovery of royalty payments but not enforcement of the price-fixing provision of its license. The contention is that the contract between the parties is a series of divisible agreements and that the illegality of the price-fixing agreement may therefore be ignored, and the licensee consequently estopped to question patent validity, if the licensor limits its demand to the royalty provision of the contract.

As we read the decision in the *Sola* case it does not permit the construction placed upon it by the present licensors. The Court's recital of the prior proceedings (p. 174) contains the only reference which is made to the fact that the licensor's suit for the recovery of royalties also sought enforcement of the price-fixing provisions of the license. The starting point of the legal discussion (p. 175) was, not that this demand made these provisions pertinent, but that a price-fixing "agreement" would not support the estoppel which the licensor was asserting. And in concluding the Court stated (p. 177) that the issue which it was deciding was that the licensee had the right to assert the illegality of "the price-fixing agreement" and to offer evidence to establish "its" illegality. The Court said that local rules of estoppel which would fasten upon the public an "agreement" in violation of the Sherman Act must yield to the Act's declaration that "such agreements" are unlawful. Furthermore,

if this Court had been of the opinion that estoppel of the licensee could be based upon a price-fixing agreement provided that the suit did not involve enforcement of price fixing, it would have ruled that the licensee's plea as to patent invalidity might be entertained upon the licensor's abandonment of its prayer for enforcement of the price-fixing provisions of the license.

The lower federal courts have construed the holding in the *Sola* case as not limited to suits in which enforcement of price-fixing is sought. The Circuit Court of Appeals so held in the *Katzinger* case. The same conclusion was reached in *American Optical Co.* v. *New Jersey Optical Co.*, 50 F. Supp. 806, 808 (D. Mass.). In *American Cutting Alloys, Inc.* v. *General Electric Co.*, 135 F. 2d 502 (C. C. A. 2), the proceeding in which the licensor sought to estop the licensee did not seek enforcement of the price-fixing provisions of the license yet the *Sola* case was held to be applicable and controlling. Apart from the *MacGregor* case, we are not aware of a contrary decision by any court.

A contention identical in character to that made by the present licensors was rejected by this Court in *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488. There the defendant in an infringement suit was permitted to interpose as a defense that the plaintiff, the holder of a patent on a machine, had re-

quired licensees of this patent to use in the machine an unpatented product marketed by the patentee. Since the plaintiff was thus using its patent to restrain and monopolize trade beyond the limits of its patent monopoly, the proceeding was held to come within the principle that courts of equity will withhold their aid from a plaintiff whose use of the right which he asserts is contrary to the public interest. This Court further held (pp. 492–493) that this principle was applicable notwithstanding the fact that the suit brought by the plaintiff, based upon the defendant's sale of an allegedly infringing machine, did not involve the plaintiff's wrongful conduct, that is, the restraints wrongfully imposed upon its licensees.

The limitation which the present licensors would place upon the *Sola* case would render it largely meaningless. It would mean that price-fixing agreements based upon spurious patents could be entered into with impunity; all provisions of the license other than those for fixing prices could be judicially enforced without right on the part of the licensee to show that the patent is invalid and that the royalty or other claims of the licensor therefore lack foundation.

Of course, the question dealt with in this part of the brief will not require consideration if the Court agrees with the view which we have pre-

viously set forth, that federal law does not permit a licensee to be estopped to challenge patent validity.

Respectfully submitted.

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